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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	

Comments of General Communication, Inc.

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March 12, 1996

SUMMARY

Universal service support is dependent on a system that ensures distribution through a competitive neutral system and which breaks the link between increases in costs translating into increases in subsidy. The Commission should restructure support so that carriers will minimize, not maximize their cost and provide the most efficient network. A plan that begins with reported costs and credits and competes those costs down over time should be implemented. This will result in overall lower costs and rates to consumers while also ensuring speedy deployment of new technology.

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General Communication, Inc. (GCI) hereby submits comments in response to the Commission's Notice of Proposed Rulemaking and Order Establishing Joint Board (Notice).[1] The Notice invited comment on various policy questions regarding universal service as outlined in the Telecommunications Act of 1996 (1996 Act). Specifically, the Commission initiated this rulemaking (1) to define the services that will be supported by Federal universal support mechanism; (2) to define those support mechanisms; and (3) to recommend changes to the Commission's regulations to implement the universal service directives of the 1996 Act. GCI supports the Commission's intent to improve the system whereby universal service support is distributed.

Introduction

The Commission must make its determinations under the goals and principles outlined in Section 254(b) of the 1996 Act. They are as follows:

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[1] Federal-State Joint Board on Universal Service, FCC 96-93, released March 8, 1996.

(1) Quality and Rates - Quality services should be available at just, reasonable, and affordable rates.
(2) Access to Advanced Services - Access to advanced telecommunications and information services should be provided in all regions of the Nation.
(3) Access in Rural and High Cost Areas - Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.
(4) Equitable and Nondiscriminatory Contributions - All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.
(5) Specific and Predictable Support Mechanisms - There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.
(6) Access to Advanced Telecommunications Services for Schools, Health Care and Libraries - Elementary and secondary schools and classrooms, health care providers, and libraries should have access to advanced telecommunications services as described in subsection (h).
(7) Additional Principals - Such other principals as the Joint Board and the Commission determine are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with the Act.

The 1996 Act further provides

> "for a pro-competitive, de-regulatory national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications

markets to competition."[2]

GCI agrees with the principles outlined by Congress. Under those principles, the Commission must adopt universal service rules that are competitively neutral and allow competition to expand. If allowed to proceed in its natural fashion, these changes will continue to allow competition to reach into areas previously assumed to be monopolies. Consumers in all areas of the country will be able to choose their local carrier, pay lower rates, and have new technology deployed quickly and efficiently.

The Commission must not stand in the way of this revolution to deploy new technology and advanced services by all providers. The Commission cannot continue practices created in a monopoly environment. The existing universal service process was developed for a monopoly environment and is inconsistent with a competitive environment. The process must be modified so as not to impede competition.

The Commission cannot wait for competition to occur prior to instituting a competitively neutral universal service policy. Waiting will impede competition and delay the benefits of lower prices, more choices and better technology to a later date. In the past, when the incumbent carriers were the direct beneficiaries of an existing program, it was always to their benefit to advocate delay. The same is true here. The Commission must set up a system that fulfills all of its goals, not just the goals of the incumbent carrier. The 1996 Act is

[2]Conference Report at 1.

consistent with this position in encouraging competition in all sectors of America.

To achieve its goals, the Commission must adopt a plan that fully satisfies the principles outlined above. These goals must be embraced for all America, not just urban America. GCI supports the principles as outlined. Any system adopted must not shield non-Tier 1 LECs from an assistance system that is competitively neutral.[3]

I. Support for Rural, Insular and High Cost Areas

A. Definition of Universal Service

The 1996 Act defines universal service as an "evolving level of telecommunications services."[4] The 1996 Act states that

> "the definition of services that are supported by Federal universal services support mechanisms shall consider the extent to which such telecommunications services -
> (A) are essential to education, public health or public safety;
> (B) have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers;
> (C) are being deployed in public telecommunications networks by telecommunications carriers; and,
> (D) are consistent with the public interest, convenience and necessity.[5]

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[3]With the advent of new technologies, such as PCS, areas that are currently non-competitive will become competitive in the near future. The Commission should not wait until there is evidence of true competition, as suggested by many incumbent carriers in CC Docket 80-286. Delay will benefit the incumbent LEC, not customers.

[4]Section 254(1).

[5]Section 254(c).

The Commission proposes to allow the following core services to receive universal service support:

> (1) voice grade access to the public switched network, with the ability to place and receive calls, whether provided by wireline or wireless technology; (2) touch-tone; (3) single party service; (4) access to emergency services; and, (5) access to operator services.[6]

GCI agrees with this definition of universal service for residential customers. However, as discussed in the Notice, the Commission should not expand the definition to include interexchange services, relay services or directory listings. Currently, interexchange services are provided in a competitive manner and not subsidized.[7] Services that are not subsidized

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[6] Notice at 12.

[7] Carriers should not be allowed to expand the subsidy system. United Utilities, Inc. (UUI) proposed to put interexchange services into the universal service. UUI proposed to provide "local service" to four remote locations using satellite technology. The four locations, three of which are sites of a multi-million dollar fish hatchery, are separated by up to 30 miles and would be connected, via satellite, through facilities in Anchorage, 40 miles away. UUI proposed to categorize all the equipment from each hatchery, over the satellite, and back to Anchorage as "local loop" eligible for USF support. The Audits and Accounting Division of the Commission has determined that the equipment outlined by UUI should be classified in Category 4.23, All Other Interexchange Circuit Equipment. See, Letter from Kenneth P. Moran, Chief, Audit and Accounting Division to William K. Keane, dated July 15, 1994. UUI has asked the Division to reconsider its ruling. The Alaska Public Utilities Commission (APUC) determined that the service proposed by UUI would be interexchange service. The APUC also stated that the four locations do not constitute a community because they are not in the same location under the same government, they are separated by as much as 40 miles and that commercial enterprises do not constitute a community. The APUC further stated that universal service is "not void of limitations." They concurred with the general guidelines previously established in Alaska that subsidized telecommunications services should occur in communities with a minimum population of 25. See, Application

should not be included.[8] Relay services are currently provided under a state certification policy and receive support based on a nationwide average cost. This situation should not be changed in this proceeding. Directory listing should not be considered a service which receives universal service support. In fact, the 1996 Act mandates subscriber list information be provided on a timely and unbundled basis to any person to publish directories in any format.[9] It is clear that Congress did not intend to provide universal service support for these services.

The Commission should not include advanced services in the definition of universal service at this time. Advanced services are in their infancy. The Commission should wait and see how the natural deployment of advanced services develops before requiring their inclusion in the definition of universal service. Natural competitive forces should be allowed to work prior to providing support for a service. As the 1996 Act states, the Commission is to reevaluate the definition of universal service from "time to time."[10] This will give the Commission an opportunity to expand or contract the definition as time dictates. The quickest and

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of United Utilities, Inc., APUC Docket U-94-1, Order No. 8, dated September 11, 1995. Any definition for universal service must not be overly inclusive and should not include interexchange costs and other costs that should not be subsidized by USF.

[8]Of course, interexchange carriers pay access charges, which include carrier common line rates which include LEC subsidies. However, interexchange services are not subsidized today.

[9]Section 222(e).

[10]Section 254(c)(2).

most efficient way to expand the provision of service is to endorse competition and allow the market forces to create and deploy new technology. The Commission should not create an expanded definition of universal service that will inhibit market forces.

However, the Commission should consider adding equal access to the list of services, to the extent a carrier requests equal access and to the extent it is consistent with the 1996 Act.[11]

The Commission should not adopt a specific data transmission rate for these services. However, the Commission should adopt certain service quality standards for those services included in the definition of universal service. Such quality standards could include an evaluation of valid complaints filed by consumers and customers[12] at both the Commission and the state commission and the timing of filling customer service orders. If a carrier did not comply with the service quality standards then penalties would be imposed whereby the carrier would not receive its full amount of universal service support. This will help ensure that areas that do not have alternative carriers from day one will still have to achieve certain service standards or they will be penalized.

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[11]The Commission cannot mandate equal access for CMRS providers. See Section 332(c)(8).

[12]This should include customers such as interexchange carriers and all interconnectors.

B. How Support Should Be Paid

GCI supports a system that uses credits or vouchers over a specified area payable to the customer's provider of choice. The monies can either be based on proxies or on the incumbents actual cost at some specific point in time.

If the Commission is not ready to move to a proxy system, it could begin with the costs of the incumbent carrier. In order to promote efficiency and competition the link between the costs of the incumbent carrier and the amount of USF assistance must be broken. The Commission could start with the incumbent carriers reported costs (minus the adjustments made under Option One in comments filed in CC Docket 80-286) and convert those costs to a per line credit. Each present USF recipient would determine the existing amount of support per access line. Under the new system, that amount would be credited to the consumer or alternatively could be paid directly to the carrier. Thus, on day one of the new system, the incumbent carrier with 100% of the customers would experience no change in support.[13]

Other carriers would be eligible for the same support. Competition could develop with each competitor having access to the same potential subsidy or alternatively, the new entrant could receive a percentage of the support the incumbent LEC would receive per line. The link between the costs of the incumbent carrier and the amount of the USF credit would end on the day the

[13]GCI proposes below penalties for not complying with the Commission's service requirements.

new USF system is implemented. From that day forward, the forces of competition and the resulting efficiencies should be used to drive the amount of the required subsidy downward.

This could be accomplished in one of several ways. For example, the costs of the incumbent carrier might be $30 per month; but with USF existing bills are $20, a rate which is deemed an acceptable local exchange rate and which becomes the maximum "target" rate.[14] The difference between the $30 cost and the $20 rate becomes the amount of credit, $10. A competitive carrier could enter the market and, with a lower cost structure, be able to offer consumers service at a lower rate. For example, the new carrier might be able to offer service for a net bill of $19. The consumers who choose the competitive carrier would be getting service for $1 less than the subsidized rate that was deemed acceptable when the program began. If the competitive carrier gains a market share of at least 25%, that would indicate consumer acceptance of the competitive carrier. At that point, the amount of the credit should decrease to $9, which is the difference between the competitors rate and the acceptable rate of $20. If the rate of any competitor with 25% market share remained at $19 (or any amount below the $20 target) for an additional six months, then the credit would again be reduced by the difference between the $19 net amount and the $20 target.

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[14]GCI supports the adoption of a nationwide minimum local rate. Some parties state that their residential rates are as low as $6.75. This rate seems to be exceptionally low given the fact that other carriers, specifically interexchange carriers, are providing support through USF and DEM.

The process could continue until the lowest competitive rate is achieved. Alternatively, the Commission could set time lines for the reductions to occur, weather or not new entrants received 25% market share.

This is only one option. Others could be devised. If the Commission continues to believe that reported costs should be the starting point, the goal is to set the initial credit amount, to break the link between costs and credits, and to use competition and efficiency to drive down the level of subsidy to an amount actually required by the market to provide service at levels that are acceptable and that will promote universal service.

Further, the Commission should impose penalties on all recipients based on their provisioning of service. For example, if a carrier did not provide single party service throughout its own service area it would be penalized and only receive 80% of its universal service funds.[15] This will encourage compliance by carriers who do not currently face competition from other providers.

This system is administratively easy and begins with the costs of the incumbent carrier. The costs and support are split after the initial determination and is reduced as competitors enter the marketplace.

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[15]Outlined above are 5 requirements to be included in the definition of universal service. Therefore, if the carrier complies with 4 out of the 5 requirements, then it would receive 80% funding. If the carrier complied with 1 out of the five, then it would receive 20% funding. If the Commission adopts additional requirements, the percentages would change accordingly.

The Commission proposes to look at costs on a more disaggregated basis than a study area and proposes to use Census Block Groups (CBGs) and proxies. Many incumbent LECs are in oppose this claiming that they will not be able to receive enough USF to meet their obligations.[16] However, these companies also state that they should not be required to merge separate study areas within a state and that multiple study areas in a state should be allowed because they are based on practical business decisions.[17] In fact, these study areas are based on the incentives resulting from the existing structure. Since this structure and the resulting incentives will change with a new program, existing business decisions should not act as a block to change.

If the Commission adopts a system of proxy costs,[18] carriers will not be required to disaggregate their costs down to the CBG level. Proxies will keep the system administratively simple and will not require the incumbent LEC to change the way it keeps its accounts.

Credits should be available anywhere for any carrier. They should not be limited to areas where "true" competition

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[16]See Comments of Arvig Enterprises and NRTA in CC Docket 80-286.

[17]Id. New entrants should be allowed to determine their own study area and should not be required to match the study area of the incumbent LEC. This would interfere with the practical business decisions of the new entrant.

[18]Alternatively, the Commission can adopt the system outlined above which bases initial support on the actual costs of the incumbent LEC.

"actually" exists as proposed by incumbent LECs.[19] Waiting until true competition actually exists will ensure administrative complexity whereby some carriers are determining USF under one system and other carriers are determining USF under an entirely different system. The Commission and the state commissions will be inundated with hundreds of regulatory proceedings to determine whether true competition exists. This will further delay benefits to the consumer and force both the incumbent LEC and all new entrants to spend time and money in numerous regulatory proceedings to make this determination over and over again. For example, there are 22 LECs in the State of Alaska. Their are 692 CBGs in Alaska - some with multiple providers within the CBG. Potential competitors will be forced to go through proceeding after proceeding to determine if true competition exists in any given area. Implementation issues for credits should be evaluated and determined at one time for the entire country. You should not implement a different system for New York than for Alaska. Otherwise, the goals of the Commission will only be achieved in New York. Of course, this would be inconsistent with the 1996 Act.

II. Low Income Consumers

The Commission proposes to provide the following for low income consumers: (1) free access to telephone service information so as to report repairs, inquire about bills or

[19]See Comments of Ardmore Telco, Cross Telco and Hopper Telephone in CC Docket 80-286.

eligibility for special programs; (2) toll limitation services, so as to avoid involuntary termination; (3) reduced service deposit; (4) services other than conventional residential services; and, (5) other services for low income subscribers.

The Commission should require all LECs, subject to availability of facilities, to offer low income customers a minimum level of service that would be free of charge and without subsidy. This minimum service level should include the ability to receive calls and the ability to originate 911 and toll free (800 and 888) interexchange calls.

This minimum level of service, provided free of charge, would benefit low income consumers. Low income consumers typically have extensive contacts with social service agencies. The ability to receive calls from those agencies would benefit both the agency and the consumer. Additionally, low income consumers may likely be seeking employment, and the ability to provide a prospective employer with a telephone number would improve the chances of obtaining employment.

The advantages of allowing 911 calls is obvious. The proposed minimum level of service would also provide some, though perhaps minimal, revenue to the carrier. Interexchange calls to the consumer, and 800/888 calls by the consumer, would both produce interexchange revenue and access charge revenue.

The cost to the carriers to provide such service would be virtually zero. With modern switches, GCI expects that once software changes are made the service could be provided with ease.

GCI does not contend that this minimum level of service achieves the goals of universal service and it is not proposed as a substitute for other universal service mechanisms. However, unless the price of full service is reduced to zero, there will remain some consumers who cannot afford or choose not to spend scarce dollars on full local service. This free sot option has benefits for both the consumer and society at virtually no cost to the carrier. Of course, if service is given away free of charge, there should be a means test, similar to that for Lifeline and LinkUp for any services that are provided for low income consumers.

GCI looks forward to reading the comments of other parties regarding the possible other services that could satisfy this group.

III. Services for Schools, Libraries and Health Care Providers

As outlined in the 1996 Act, services for schools must be provided for educational purposes. This should not include the phone system of the individual schools and the school board. The Commission should initially set the functionalities on a realistic basis.[20]

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[20]For example, DS3 service should not be mandated for all schools, particularly for small schools in small villages that may only have 30 students in the entire school. The Commission should not set up transmission standards that do not differentiate between schools that are teaching 5000 students and schools that are teaching 50 students. DS3 service is not required to provide various capabilities to a small school that has 50 students and the appropriate number of computers when compared to a large school that has 5000 students and a larger number of computers.

For rural health care providers, the services must be "necessary for the provision of health care services in a State." Carriers should be required to submit information to the Commission setting out its services and rates charged to calculate "the amount equal to the difference, if any, between the rates for services provided to health care providers for rural areas in a State and the rates for similar services provided to customers in comparable rural areas in that State."[21] GCI looks forward to hearing from health care providers on their needs and commenting in the reply comment round on what services are appropriate.

IV. Administration of Support

All telecommunications providers, including local, long distance competitive access providers, cellular telephone companies, pay phone providers, enhanced service provider, should be required to contribute to support universal service. Support should be based on the carriers revenues, net of what each carrier pays any other carrier. Otherwise some carriers would be double taxed.

Conclusion

Universal service support is dependent on a system that ensures distribution through a competitive neutral system and which breaks the link between increases in costs translating into increases in subsidy. The Commission should restructure support so that carriers will minimize, not maximize their cost and

[21] Section 254(h)(1).

provide the most efficient network. A plan that begins with reported costs and credits and competes those costs down over time should be implemented. This will result in overall lower costs and rates to consumers while also ensuring speedy deployment of new technology.

Respectfully submitted,

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March 12, 1996

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed March 12, 1996.

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CERTIFICATE OF SERVICE

I, Kathy L. Shobert, do hereby certify that on this 12th day of March, 19956 a copy of the foregoing was mailed by first class mail, postage prepaid, to the parties listed below.

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